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December 1, 2014

Re: Shodeen Lawsuit

Dear Neighbor:

As you may have heard, the Mill Creek Water Reclamation District (the “District”) recently filed a lawsuit against various Shodeen, Inc. related entities (“Shodeen”). The lawsuit stems from a fundamental and longstanding dispute between the District and Shodeen over ownership of the District’s utility systems and in particular, the wastewater disposal system by which our waste water (sanitary sewage) is reclaimed, control of the District operations, and the necessity for a truly independent District.

The District was established in 1992 to serve the greater Mill Creek community with potable water and sanitary sewer disposal services. On August 1, 1995, Shodeen sold the District a “complete water works system” and a “complete waste water management system” (collectively the “System”) pursuant to a Purchase Agreement. The District’s board of trustees at the time the Purchase Agreement was executed in 1995 consisted of a Shodeen employee and two Shodeen family members. The Purchase Agreement estimated the cost of the system to be \$8,000,000. Under the Purchase Agreement, the District’s price for the system was paid through a combination of \$6,455,000 in cash (which was paid by revenue bonds issued by the District) and a “Disposal Lease” by which the District paid Shodeen certain sums of money to discharge the District’s reclaimed waste water on the Mill Creek Golf Course (later to include the Tanna Farms Golf Course) and certain “off-play” areas. The Disposal Lease expired, by its own terms on August 31, 2010, and was extended for an additional 20 month period as negotiations between Shodeen and the District continued. Over the course of the Disposal Lease, the District paid Shodeen-related entities in excess of \$2,300,000 (in addition to the \$6,455,000 paid in 1995). The District is disputing the legitimacy of the Purchase Agreement, Disposal Lease and other transactions with Shodeen in the lawsuit.

We, as trustees of the District, believe that Shodeen has been fully compensated for its cost to install the System, that the District has fulfilled all its legitimate contractual obligations to Shodeen, and that the District owns the right to discharge the District’s wastewater on the Mill Creek Golf Course, Tanna Farms Golf Course, and the off-play areas pursuant to the Purchase Agreement. Shodeen maintains that the District should continue to pay for District’s reclaimed waste water that is used to irrigate the golf courses (which Shodeen leases to two golf course operators), as well as commit to pay for the costs of maintenance and replacement of the golf course irrigation system.

The Board of Trustees has attempted, in good faith, to resolve this difference with the Shodeen organization for over the past three years to no avail. Prior Boards have struggled with this issue as well. Most recently, Kane County Board Chairman Chris Lauzen and Drew Frasz, our County Board member, attempted to help resolve the dispute but to no avail. We believe that, at this time, we are clearly at an impasse with Shodeen, and believe that impasse is insurmountable. Accordingly, after careful and considered deliberation, the Board of Trustees has filed a lawsuit seeking a court determination of the District's rights, authority, and obligations with respect to the System and rights to discharge reclaimed water. We wanted you to know that this was not our preferred resolution of the issue and a decision the Board of Trustees did not reach lightly. However, we believe that continued ambiguity is not in the best interests of the District or you as its customer.

The District is committed to resolving these issues as quickly as possible. Unfortunately, we will have limited ability to discuss the litigation should we run into you on the street or at a neighborhood function, but we will endeavor to provide you updates as the case progresses.

A copy of the lawsuit has been posted on the District's website at www.millcreekwrd.com and contains more facts if you are interested in further reading.

Very truly yours,

Mill Creek Water Reclamation District
Board of Trustees

Michael Iwan
Richard Williams